

**PLACER COUNTY CHILDREN
AND FAMILIES COMMISSION**
(a component unit of the
County of Placer, California)

Financial Statements
with Independent Auditor's Reports

For the Year Ended June 30, 2001

**PLACER COUNTY CHILDREN AND FAMILIES COMMISSION
FOR THE YEAR ENDED JUNE 30, 2001**

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Board of Directors
Placer County Children
and Families Commission
Auburn, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Placer County Children and Families Commission (Commission), a component unit of the County of Placer, California, as of and for the year ended June 30, 2001. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 7, 2001, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

Sacramento, California
August 7, 2001

OFFICE LOCATIONS

Sacramento • Los Angeles • Fresno • San Francisco Bay Area

PLACER COUNTY CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET - SPECIAL REVENUE FUND
JUNE 30, 2001

Assets

Cash	\$ 6,505,059
Taxes receivable	<u>431,893</u>
Total assets	<u><u>\$ 6,936,952</u></u>

Liabilities and fund balance

Liabilities:

Accounts payable	<u>\$ 2,564</u>
Total liabilities	<u>2,564</u>

Fund balance:

Reserved for encumbrances	1,560
Reserved for children's programs	<u>6,932,828</u>
Total fund balance	<u>6,934,388</u>
Total liabilities and fund balance	<u><u>\$ 6,936,952</u></u>

See accompanying notes to the financial statements.

**PLACER COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2001**

Revenues:

Tobacco taxes	\$ 2,577,729
Use of money and property	<u>275,290</u>
Total revenues	<u>2,853,019</u>

Expenditures:

Professional and specialized services	26,738
Administrative and other	<u>124,060</u>
Total expenditures	<u>150,798</u>
Excess of revenues over expenditures	2,702,221
Fund balance, July 1, 2000	<u>4,232,167</u>
Fund balance, June 30, 2001	<u><u>\$ 6,934,388</u></u>

See accompanying notes to the financial statements.

**PLACER COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Tobacco taxes	\$ 2,800,000	\$ 2,577,729	\$ (222,271)
Use of money and property	<u>100,000</u>	<u>275,290</u>	<u>175,290</u>
Total revenues	<u>2,900,000</u>	<u>2,853,019</u>	<u>(46,981)</u>
Expenditures:			
Professional and specialized services	62,545	26,738	35,807
Administrative and other	233,305	124,060	109,245
Outcome based contracts & projects	2,504,150		2,504,150
Flexible funding pool	<u>1,000,000</u>		<u>1,000,000</u>
Total expenditures	<u>3,800,000</u>	<u>150,798</u>	<u>3,649,202</u>
Excess of revenues over expenditures	<u><u>\$ (900,000)</u></u>	2,702,221	<u><u>\$ 3,602,221</u></u>
Fund balance, July 1, 2000		<u>4,232,167</u>	
Fund balance, June 30, 2001		<u><u>\$ 6,934,388</u></u>	

See accompanying notes to the financial statements.

**PLACER COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Placer County Children and Families Commission (Commission) was established by the Placer County Board of Supervisors in 1999 under the provisions of the California Children and Families Act of 1998 (Act). The Commission is a public entity legally separate and apart from the County. The purpose of the Commission is to develop, adopt, promote and implement early childhood development programs in the County of Placer consistent with the goals and objectives of the Act. The Commission's programs are funded by taxes levied by the State of California on tobacco products.

The Commission is administered by a governing board of seven members, which are appointed by the County Board of Supervisors. Three members are representatives of the County's health care departments, County's social services departments and Board of Supervisors. The initial three members shall serve an initial term of three years and subsequent appointees shall hold two-year terms. No member shall serve more than two consecutive terms. The County Board of Supervisors may remove any Commission member at any time. Since the County Board of Supervisors can impose their will on the Commission, the Commission is considered a component unit of the County of Placer.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues susceptible to accrual include tax revenues and investment income.

Expenditures are recognized in the accounting period in which the fund liability is incurred. All operations of the Commission are accounted for in a Special Revenue Fund.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**PLACER COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget and Budgetary Reporting

The Commission is required to prepare a budget each year based on estimates of revenues and expected expenditures. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is exercised at the budget unit (departmental) level. All changes to the budget during the year are reflected in these financial statements and require the approval of the governing board. All unencumbered annual appropriations lapse at the end of each fiscal year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the Commission. Encumbrances at year-end are reported as reservations of fund balance since the commitments will be honored through subsequent years' budget appropriations. Encumbrances do not constitute expenditures or liabilities.

NOTE 2 - CASH AND INVESTMENTS

All cash and investments at June 30, 2001 are held by the Placer County Treasurer's Pool. Interest is apportioned to the Commission based on the average daily balances on deposit with the Treasurer. Pool oversight is conducted by the County Treasury Oversight Committee.

All cash and investments at June 30, 2001 are stated at fair value. The Pool values participant shares on an amortized cost basis. At June 30, 2001, there is no material difference between the Commission's shares valued on an amortized cost basis compared to fair value.

COMPLIANCE SECTION



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Auburn, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying financial statements of the Placer County Children and Families Commission (Commission), as of and for the year ended June 30, 2001, and have issued our report thereon dated August 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the Commission are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

OFFICE LOCATIONS

Sacramento • Los Angeles • Fresno • San Francisco Bay Area

This report is intended solely for the information of the Board of Directors and management of the Placer County Children and Families Commission and is not intended to be and should not be used by anyone other than these specified parties.

Macias, Muri & Company LLP

Certified Public Accountants

Sacramento, California
August 7, 2001